

Schedule A(PY) Itemized Deductions

For Part-Year Residents Only

Prior to completing Arizona Form 140PY, Schedule A(PY), you must complete a federal Form 1040, Schedule A.

The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the Internal Revenue Code. As a part-year resident who has no Arizona source income for the portion of the year in which you were an Arizona nonresident, you can deduct: (1) those expenses which were incurred and paid during the part of the year in which you were an Arizona resident plus (2) Arizona source itemized deductions incurred and paid during the period of nonresidency.

For more information, see Arizona Individual Income Tax Ruling ITR 94-10. To get a copy of this ruling, call one of the help numbers listed on page 1 of the Form 140PY instructions.

If you deduct medical and dental expenses, you must adjust the medical deduction shown on Federal Form 1040, Schedule A, since Arizona does not limit the medical and dental expense deduction. In addition, since Arizona allows a subtraction for Arizona lottery winnings, you may also have to adjust any gambling loss deduction so that this deduction does not exceed the amount of gambling winnings included in your Arizona income.

You may also be required to adjust the amounts shown on federal Form 1040, Schedule A, if you are claiming the credit for property taxes paid by a qualified defense contractor.

To determine your Arizona itemized deductions, complete a federal Form 1040, Schedule A, and then complete the Arizona Form 140PY, Schedule A(PY) as instructed.

Medical and Dental Expenses

Line 1 -

Enter the amount of medical and dental expenses incurred and paid while an

Arizona resident. Also enter the amount of such expenses from Arizona sources that was incurred and paid during the period of the year that you were a nonresident. Do not include any amount of medical and dental expenses which were paid from your individual medical savings account.

If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income.

The medical and dental expenses for Arizona purposes are the same as for federal purposes.

Taxes

Line 2 -

Enter the amount of taxes allowable from federal Form 1040, Schedule A, which were incurred and paid during the part of the year in which you were an Arizona resident. Also enter the amount of taxes allowable from federal Form 1040, Schedule A, from Arizona sources which were incurred and paid during the period of the year while a nonresident.

If you claimed the credit for property taxes paid by a qualified defense contractor, do not include on line 2 any property taxes for which you have claimed a tax credit.

Also, do not include on line 2 any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

Interest Expense

Line 3 -

Enter the amount of interest expense allowable from federal Form 1040, Schedule A, which was incurred and paid during the part of the year in which you were an Arizona resident. Also enter the amount of interest allowable from federal Form 1040, Schedule A, from Arizona sources which was incurred and paid during the period of the year while a nonresident.

Do not enter any interest expense which was incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

Contributions

Line 4 -

Enter the amount of contributions allowable from federal Form 1040, Schedule A, which was incurred and paid during the part of the year in which you were an Arizona resident. Also enter the amount of contributions allowable from federal Form 1040, Schedule A, from Arizona sources which were incurred and paid during the period of the year while a nonresident.

Casualty and Theft Losses

Line 5 -

Enter the casualty loss(es) allowable from federal Form 1040, Schedule A, after the 10 percent federal adjusted gross income limitation and the \$100 per loss floor has been applied.

Line 6 -

Enter the casualty loss(es) allowable from federal Form 4684 prior to applying the 10 percent federal adjusted gross income limitation and the \$100 per loss floor.

Line 7 -

Enter the amount of casualty loss shown on line 6 which was incurred during the part of the year in which you were an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources incurred during the period of the year while a nonresident.

Line 8 -

Divide the amount on line 7 by the amount on line 6. Enter the percent.

Line 9 -

Multiply the amount on line 5 by the percent on line 8. Enter the result.